Supreme Court, U. S.
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1972.

No. 72-57

SHELCO, INC. AND THE SHELCO COMPANY,
Petitioners,

vs.

THE DOW CHEMICAL COMPANY AND HARRY G. SCHIERHOLZ & CO.,
Respondents.

SHELCO, INC. AND THE SHELCO COMPANY,
Petitioners,

vs.

BOYLE-MIDWAY, INC. AND AMERICAN HOME PRODUCTS CORPORATION,
Respondents.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI (DOW AND SCHIERHOLZ).

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BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI (DOW AND SCHIERHOLZ).

Respondents, the Dow Chemical Company and Harry G. Schierholz & Co., respectfully submit that the Petition for Writ of Certiorari filed by Shelco, Inc. and the Shelco Company is wholly without merit and pray that the Petition be denied.

STATEMENT OF THE CASE.

The District Court below entered detailed and extensively annotated findings of fact and conclusions of law holding petitioners' patent to be invalid on four separate and independent statutory grounds[1] (App. 91a). In addition, it found no less than four separate and independent frauds perpetrated by petitioners and those acting on their behalf (App. 76a-85a). It further concluded that the suit had been "... brought and maintained in a bad faith attempt to enforce a patent which Shelco knew or reasonably should have known was obtained as a result of fraud or material misrepresentations knowingly and deliberately made to the Patent Office." (FF 194; App. 85a.)

The trial court's findings and conclusions were affirmed in all respects by the United States Court of Appeals for the Seventh Circuit. Petitioners' petition for rehearing *en banc* was denied.

REASONS FOR DENYING THE WRIT.

I. Petitioners Seek Certiorari Contrary to the Rule of This Court That Concurrent Findings of Fact of the District Court and the Court of Appeals Will Not Be Disturbed.

It is apparent from the face of the Petition that petitioners are merely seeking to have this court review findings of fact concurred in by two courts below.[2] It is fundamental that in such cases certiorari is not appropriate.

1. 35 U. S. C. §§ 102, 103, 112, 184, 185 (1964).

2. Petitioners' Statement of Facts and Argument are replete with erroneous and misleading statements. We do not lengthen this brief to respond thereto. We rely upon the facts found by the courts below and set out in the appendix to the Petition.

Universal Oil Prod. Co v. *Globe Oil & Ref. Co.*, 322 U. S. 471, 473 (1944); *Graver Tank & Mfg. Co.* v *Linde Air Prod. Co.*, 336 U. S 271, 275 (1949); *Berenyi* v. *Immigration Serv.*, 385 U. S. 630, 635-36 (1966).

In an attempt to avoid application of the above cases, petitioners argue that the findings in the District Court were "adopted." They were not, however, adopted in all respects. But in any event, they were fully annotated and supported by the record and the evidence, as the Court of Appeals found. Furthermore, petitioners made no specific criticism of the proposed findings in the trial court, either before or after judgment, although they had ample opportunity to do so. In these circumstances, petitioners' reliance upon *United States* v. *El Paso Gas Co.*, 376 U. S. 651 (1964), which came to this Court directly from the District Court, is misplaced.

Petitioners also attempt to categorize this case as one in which the courts below applied improper standards of proof for fraud. They did not. See Appendix 10a and 76a-85a. Petitioners' entire case rests on the District Court's statement as to *how* the patentee *came to acquire* the knowledge of the prior art which he later copied and patented for himself (App. 80a). This language does not apply to the findings as to the fraud itself (App. 76a-85a), nor does it have anything to do with the Court of Appeals decision.[3] The fraud in this case was overwhelmingly proved in fact.

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3. See particularly Summary Finding 193 (App. 85a), which states, in part that:

"[the patentee] *deliberately* withheld critical information from the Patent Office. . . ." (emphasis added)

See also *Monolith Portland Midwest Co.* v. *Kaiser Aluminum & Chem. Corp.*, 407 F.2d 288, 294 (9th Cir. 1969), relied on by the Court of Appeals.

II. Petitioners Belatedly Seek To Disassociate Themselves from the Fraud.

In the District Court and the Court of Appeals where petitioners had hopes of foisting this patent upon the courts in order to gain thereby a tremendous financial advantage, they stood behind the principals in the fraud, Perry and Carpenter.[4] Only before this Court have they sought to abandon the patent, and to leave each man for himself.

All of the evidence concerning the fraud set forth in App. 76a-85a was available to petitioners before the trial. In spite of this knowledge, petitioners continued to demand enforcement of the patent against these respondents, not only during the trial, but throughout the appeal as well.

Finding 194 (App. 85a) states that petitioners brought and maintained the suit in bad faith. This finding of fact was sustained by the Court of Appeals. It alone is enough to sustain the award of attorney's fees below.

The maintenance of the suit in bad faith is not challenged by petitioners. In fact, in the trial court when the financial responsibility of the Shelco Company was challenged and its parent corporation, Clorox Co., was sought to be joined, the following colloquy occurred between the Court and Mr. Churchill, lead counsel for petitioners:

> "MR. CHURCHILL: The Clorox Company owns the stock of the Shelco Company, the new Delaware corporation, but that is a separate corporation.

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4. Perry and Carpenter were to be paid double for the sale if the validity of the patent were sustained in the courts. Carpenter, petitioners' president, at first denied under oath that any additional amount would be paid if they succeeded in getting the patent sustained, but finally admitted that his own share of the added compensation was some $600,000 (9,000 shares of Clorox stock). (App. 308-9, 595).

THE COURT: And a finding, I assume, of invalidity would have the same effect on the Clorox Company as it would have on the two Shelcos.

MR. CHURCHILL: The Shelco Company, owner of the patent, would be the one that is bound by it and the Clorox Company wouldn't have anything to say about it, as I understand it, your Honor.

THE COURT: I know, but I assume that it would be at their peril if the Clorox Company, after a finding of invalidity, would go ahead and continue to—

MR. CHURCHILL: I would think so, absolutely." (Trial Transcript, p. 11.)

The relationship between the principals in the fraud and the petitioners is briefly as follows:

The patentee (Perry), with his financial backer (Carpenter) as Treasurer, operated a company known as Winfield-Brooks. When the time came to exploit the oven cleaner which is the subject of the patent in this litigation, Carpenter left Winfield-Brooks and became President of petitioners' predecessor corporation, which had been set up exclusively for the purpose of exploiting the oven cleaner. Carpenter remained President of both petitioners throughout the trial below. Perry became, and remained throughout trial below, a director of petitioners' predecessor. He also owned more than one-third of the stock of petitioner Shelco, Inc.

It is a fundamental principle of equity jurisprudence that the fiction of a corporate entity, as separate from that of its stockholders, will be "disregarded to prevent injustice, to prevent fraud, or evasion of just responsibility, or the distortion or hiding of the truth, or to let in a just defense." 1 FLETCHER CYCLOPEDIA OF THE LAW OF PRIVATE CORPORATIONS § 41.2, at 179-80 (Rev. ed. 1963). And see *Fitzgerald v. Central Bank and Trust Company*, 257 F.2d 119, 120-21 (10th Cir. 1958). As evidenced by the history of their

formation, petitioners are mere instrumentalities of Perry and Carpenter.

The above facts amply support the award of attorneys fees in this case.

III. The Argument Concerning the Importance of the 35 U. S. C. § 184 and § 185 Decision Is Specious.

This portion of the Court's decision is neither far reaching nor important because it is limited to the facts of this case. The patentee's original patent application insisted that it was *essential* that his invention contain two so-called "catalysts" (FF 25-27; App. 32a-33a). Perry requested, and received, a license to file foreign patent applications based on *this* disclosure. When he filed his Canadian patent application, however, he denied the necessity for having these "catalysts" present and thus asserted a new and different invention (FF 166-67; App. 76a). See *United States Ind. Chem.* v. *Carbide and Carbon Chem. Corp.*, 315 U. S. 668, 678 (1941).

Sections 184 and 185 were designed to protect the security of the United States against disclosure of sensitive information abroad. If a man were permitted to file an application in this country and then assert new inventive combinations in a foreign application, he would completely circumvent the purposes of the act.

As applied to the *facts* of this case, the holdings below, sufficiently stated by the Court of Appeals at App. 8a-9a, are perfectly proper.

IV. Claims 31 and 32 Were Properly Held To Be Invalid.

Petitioners' argument as to the validity of Claims 31 and 32 is improper since it in no way relates to the questions presented by petitioners for review by this Court. The trial court found these claims to be invalid under 35 U. S. C

§§ 102, 103, 112, 184 and 185 (App. 91a). This legal conclusion was based upon the District Court's factual analysis of the scope and content of the prior art and of the patent in suit (App. 25a-70a). The Court of Appeals considered the same questions and affirmed the District Court (App. 3a-9a).

CONCLUSION.

For the foregoing reasons, Shelco's Petition for Writ of Certiorari should be denied.

Respectfully submitted,

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